

Willroy Mines Limited

Annual Report

For the year ended December 31, 1974

WILLROY MINES LIMITED

SUITE 1900, 101 RICHMOND STREET WEST
TORONTO, CANADA M5H 1T1, (416) 868-1300

INTERIM STATEMENT OF EARNINGS

(unaudited)

For the three month and the six month periods ended June 30, 1974
(with comparative figures for the six month period ended June 30, 1973)

	Three months ended June 30 1974	Six months ended June 30 1974	Six months ended June 30 1973
Production Revenue	\$4,505,031	\$8,694,270	\$6,343,525
Operating expense	3,128,257	6,105,163	5,047,275
Operating profit before the following	1,376,774	2,589,107	1,296,250
Provincial mining tax	165,000	310,000	124,500
Depreciation, depletion and deferred development write-off	127,837	239,652	488,822
Exploration	22,219	28,005	6,467
	315,056	577,657	619,789
	1,061,718	2,011,450	676,461
Income from investments	233,963	379,169	162,692
Sundry	(1,043)	14,876	5,427
Sale of fixed assets	11,472	11,472	—
Income before extraordinary item	1,306,110	2,416,967	844,580
Profit (loss) on investments	(36,490)	105,143	323,104
Net Income for period	\$1,269,620	\$2,522,110	\$1,167,684
Basic earnings per share before extraordinary item	17.1¢	31.8¢	11.4¢
Basic earnings per share on net income for period	16.7¢	33.2¢	15.8¢

Incentive stock options were outstanding at June 30, 1974 on 133,000 shares of the company's capital stock exercisable at various dates to July 10, 1975 at prices of \$.25, \$1.07 and \$1.10 per share.

INTERIM STATEMENT OF SOURCE AND APPLICATION OF FUNDS
(unaudited)

For the six month period ending June 30, 1974

(with comparative figures for the six month period ending June 30, 1973)

	<u>1974</u>	<u>1973</u>
SOURCE OF FUNDS		
Net earnings for period before extraordinary items	\$ 2,416,967	\$ 844,580
Charges not requiring cash outlay	239,652	646,983
	<u>2,656,619</u>	<u>1,491,563</u>
Gain on sale of marketable securities	105,143	295,999
Sale of other shares	—	67,105
Sale of treasury stock	175,170	7,500
Other	—	1,906
	<u>2,936,932</u>	<u>1,864,073</u>
APPLICATION OF FUNDS		
Purchase of fixed assets net	124,135	778,133
Purchase of shares in other companies	93,750	40,000
Purchase of shares in associated companies	—	4,645
Advances to associated companies	118,247	—
Purchase of mining properties	27,686	—
Other	7,092	—
	<u>370,910</u>	<u>822,778</u>
Increase in working capital	2,566,022	1,041,295
Working capital January 1	13,692,988	10,386,263
Working capital June 30	<u>\$16,259,010</u>	<u>\$11,427,558</u>

Net income for the first six months of 1974 was \$2,522,108 or 33¢ per share compared to \$1,167,684 or 16¢ per share in the 1973 period. The much higher earnings were due to substantially higher prices received for copper, zinc, silver and gold.

At the Manitouwadge Division, the concentrator processed 216,951 tons of ore, an average of 1,198 tons per day, grading 0.52% copper, 2.90% zinc and 1.33 oz. silver per ton. The total metal production yielded a Net Smelter Return of \$4,107,334 or \$18.93 per ton compared to \$14.54 per ton for the first six months of 1973. At present metal prices and costs, ore reserves are sufficient for at least two years.

At the Macassa Division, a total of 49,163 tons of ore were milled, an average of 272 tons per day, which yielded 23,748 ounces of gold and 5,467 ounces of silver for a combined value at \$3,629,201. The average price received for gold was \$151.69 per ounce and for silver \$4.89 per ounce respectively, compared to \$86.91 and \$2.26 in the same period in 1973. Ore reserves have been maintained at two years supply.

At the Milton Limestone Aggregates Division, the relocated plant has demonstrated that it can perform up to its rated capacity. A boycott by independent truckers servicing the aggregate industry in the area, which occurred in June and was settled on June 25th, severely curtailed sales during the month of June. Since July 18th, the employees of the Division have been on strike.

OFFICERS

P. A. ALLEN President
R. C. STANLEY, JR. Vice-President
J. C. L. ALLEN Vice-President
I. T. H. HAMILTON Secretary
D. M. GIACHINO Vice-President-Mining

DIRECTORS

J. C. L. ALLEN
P. A. ALLEN
I. T. H. HAMILTON
R. C. STANLEY, JR.
D. C. WEBSTER

MANAGERS

PAUL THOMSON — Manitouwadge Division
F. A. NABB — Macassa Division
A. G. WILSON — Milton Limestone Aggregates Division

TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY
Toronto, Ontario

AUDITORS

THORNE RIDDELL & CO.
Toronto, Ontario

EXECUTIVE OFFICE

Suite 1900, 101 Richmond Street West, Toronto, Ontario

REPORT OF THE DIRECTORS

To the Shareholders:

Income before extraordinary items for the year was \$2,782,771 or 36¢ per share compared to \$2,912,317 or 39¢ per share in 1973.

Manitouwadge Division

The concentrator processed 394,154 tons of ore, an average of 1,080 tons per day grading 0.42% copper, 3.06% zinc and 1.38 oz/ton silver. This compares with 430,486 tons of ore in 1973 grading 0.98% copper, 2.74% zinc and 1.42 oz/ton silver.

The total metal production, including lesser values for contained cadmium, gold, lead and bismuth, yielded a Net Smelter Return of \$7,678,741 or \$19.48 per ton milled compared to \$7,685,505 or \$17.85 per ton in 1973.

Ore reserves were maintained at 718,016 tons grading 0.40% copper, 3.93% zinc and 1.40 oz/ton silver compared to 715,835 tons grading 0.34% copper, 3.98% zinc and 1.38 oz/ton silver at the beginning of 1974.

The ore in the mining area serviced by the "Willroy" shaft is becoming uneconomic and it is anticipated that ore from this source will cease by mid 1975. However, the mining area serviced by the "Willecho" shaft will continue to supply ore to the mill and at an expected greater rate than before to compensate, in part, for the production lost from the "Willroy" shaft.

As a matter of interest, production to the end of 1974 since commencement of milling on July 22nd, 1957 totalled 7,996,588 tons grading 0.99% copper, 4.69% zinc and 1.78 oz/ton silver which yielded a Net Smelter Return of \$90,473,537 or \$11.31 per ton milled.

Effective October 6, 1974, a new two-year agreement was reached with the United Steelworkers of America.

Macassa Division

The highlights of this gold mining operation, continuing under the management of Upper Canada Resources Limited, are as follows:

	1974	1973
Tons of Ore Milled	90,186	98,976
Per Day	247	271
Average grade of ore (ounces gold per ton)	0.508	0.537
Recovery	95.15%	95.01%
Ounces produced: Gold	43,611	50,529
Silver	9,242	9,227
Gross Revenue (gold and silver)	\$6,737,514	\$4,830,006
Average price received per troy ounce:		
For gold	\$153.51	\$95.59
For silver	\$4.65	\$2.51

Development footage for drifting, cross-cutting and raising totalled 5,520 feet compared to 6,193 feet in 1973. The total ore length developed in 1974 amounted to 828 feet grading 0.51 oz/ton over 6.2 feet compared to 1,218 feet grading 0.51 oz/ton over 6.5 feet the previous year.

Total ore reserves were essentially maintained at 249,111 tons grading 0.532 oz/ton compared to 248,410 tons grading 0.568 oz/ton at the end of 1973. Chances for locating new ore are considered excellent and expectations are that ore reserves in 1975 will be maintained.

A two-year agreement was signed with the United Steelworkers of America effective June 1st, 1974.

Milton Limestone Aggregates Division

Production and sales volume were down 35% from the forecast for the year due to a three-week strike by the independent truckers in June, followed by a nine-week strike by employees in midsummer. This drop in production and sales, combined with a substantial increase in labour costs, were major factors contributing to a small loss incurred by this division in 1974.

Capital expenditures for the year amounted to \$268,000 and for property rehabilitation \$49,000.

Norlartic Division

In the second half of 1974, Camflo drove a drift across their boundary into the Norlartic property on their 2400' level completing 110 feet of drifting and 581 feet of diamond drilling at a cost of \$10,364.

No values of economic interest were obtained in this limited amount of development work done. However, more work is planned by Camflo on Norlartic's favourable geological structure on completion of their shaft deepening program on both the 2550' and 2700' levels.

Renabie Division

Early in 1974, your Company granted to Rengold Mines Limited the right to explore and develop its former gold producing Renabie mine. Rengold spent over \$200,000 on this property prior to July 15th, 1974 and on December 31st, 1974 elected to bring this property into commercial production.

Rengold have rehabilitated the mining plant and are currently engaged in pumping out the underground workings and rehabilitating the mill with expectation of producing before the end of 1975. After repayment to Rengold, of pre-production costs, your Company is to receive 50% of the net cash flow generated.

Exploration

Metallurgical studies were conducted on both water and rock specimens for the Bicroft uranium mine in Southern Ontario. Preliminary results have indicated an acid leach system would recover 65% of the uranium contained in the rock specimens. Further work will be necessary to indicate whether in-situ mining is feasible.

An overall review of the Manitouwadge property is underway applying new geological concepts and placing special emphasis on the depth potential. Follow-up work based on this new programme will be conducted during 1975.

General

Willroy contributed its 20% participation in Long Lac Mineral Exploration Limited, the report of which is included.

The Directors take this opportunity of expressing their appreciation to Mr. Paul Thomson, Manager of the Manitouwadge Division, Mr. F. A. Nabb, Manager of the Macassa Division, Mr. A. G. Wilson, Manager of the Milton Limestone Aggregates Division and to all the Staff and Employees whose competence and enthusiasm contributed to the continued progress of the Company during the year.

Respectfully submitted,

On behalf of the Board,

Peter A. Allen,
President.

March 6, 1975
Toronto, Ontario

LONG LAC MINERAL EXPLORATION LIMITED 1974 REPORT

Through Long Lac Mineral Exploration Limited, the search for, or acquisition of, mineral deposits was conducted throughout Canada and the United States; with some participation during the latter part of 1974, in projects in Greenland and Spain.

The highlights of the year's activities were the acquisition of significant interests in two mineral deposits, one of which is currently under development.

A 50% interest was obtained in Copper Giant Mining Corporation Limited (No Personal Liability), a British Columbia company that holds a 30% non-assessable interest in a drill-inferred 200 million tons of low-grade, copper-molybdenum-gold mineralization in southern British Columbia. Homestake Mining Company, a large U.S. gold producer, controls the remaining 70% interest and is the project manager. Further diamond drilling will be required to fully assess the potential of this property.

Underground development for metallurgical, geological and grade control studies are underway on the Thompson-Bousquet Gold Mines Limited gold property in Bousquet Township in Northern Quebec. Long Lac Mineral Exploration may earn a 50% interest in this property by placing the property in production before 1980. Previous drilling has indicated a minimum of 2 million tons of ore grading 0.07 ounces gold per ton. Large ore widths make this property attractive to open-pit mining methods.

Dennis G. Sheehan
Exploration Manager

March 6, 1975

BALANCE SHEET –

(with comparative figures for 1973)

ASSETS

Current Assets	1974	1973
Cash and short term deposits (note 6 (a))	\$ 3,593,637	\$ 2,696,090
Bullion, settlements receivable and concentrates in transit, at estimated realizable value (note 1)	1,810,488	3,765,957
Marketable securities, at cost less allowance for decline in market value 1974, \$4,350,000; 1973, \$880,000 (quoted market value 1974, \$7,823,000; 1973, \$7,747,000) (note 2(a))	9,294,605	7,774,303
Accounts, accrued interest and other receivables	548,683	571,179
Supplies and other assets, at cost	1,148,210	848,083
	<u>16,395,623</u>	<u>15,655,612</u>
Other Investments (note 3)	1,342,753	734,437
Fixed Assets, at cost		
Mineral and other properties (note 4)	2,302,949	2,275,070
Plant and equipment	14,433,343	14,525,006
	<u>16,736,292</u>	<u>16,800,076</u>
Less accumulated depreciation and depletion	11,552,919	11,451,363
	<u>5,183,373</u>	<u>5,348,713</u>
Other Assets		
Preproduction, exploration and development expenditures deferred, less amortization	46,081	520,835
Other items	29,995	29,995
	<u>76,076</u>	<u>550,830</u>
	<u>\$22,997,825</u>	<u>\$22,289,592</u>

Approved by the Board

J. C. L. ALLEN, Director

D. C. WEBSTER, Director

AUDITORS

To the Shareholders of
Willroy Mines Limited

We have examined the balance sheet of Willroy Mines Limited as at December 31, 1974 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada
January 27, 1975
(January 31, 1975 as to note 2)



WILLROY MINES LIMITED

Suite 1900, 101 Richmond Street West
Toronto, Ontario M5H 1T1

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual Meeting of the Shareholders of Willroy Mines Limited (the Company) will be held on Friday, the 11th day of April, at the hour of 11:00 o'clock in the forenoon (Eastern Standard Time), in the Confederation Room No. 3 of the Royal York Hotel, 100 Front Street West, Toronto, Ontario to receive Reports, Financial Statements for the year ended December 31, 1974, and the Auditors' Report thereon; to elect directors; to appoint Auditors and authorize the directors to fix their remuneration; and to transact such other business as may properly come before the Meeting.

A copy of the Reports and Financial Statements to be submitted to such Meeting together with an Information Circular with respect to matters to be submitted to the Meeting is forwarded herewith.

Shareholders who do not intend to be present at the Meeting are requested to complete and return the enclosed form of proxy.

By authority of a resolution of the board of directors of the Company, proxies to be used at such Meeting must be deposited with the Secretary of the Company or its transfer agent, Canada Permanent Trust Company, 20 Eglinton Avenue West, Toronto, Canada, M4R 2E2, not less than 48 hours preceding the time of the Meeting.

DATED this 6th day of March, 1975.

By Order of the Board,

IAN T. H. HAMILTON,
Secretary.

	1973
02	\$ 1,247,522
00	
58	489,889
90	225,203
50	1,962,614
50	6,715,555
32	847,832
93	12,763,591
75	20,326,978
25	\$22,289,592



(Incorporated under

Current Assets

Cash and short
Bullion, settle
estimated r
Marketable sec
value 1974
1974, \$7,82
Accounts, accru
Supplies and o

Other Investments

Fixed Assets, at cos
Mineral and ot
Plant and equi

Less accumulated

Other Assets

Preproduction
deferred, l
Other items

Approved by the B

J. C.

D. C.



ECEMBER 31, 1974

at December 31, 1973)

LIABILITIES

Current Liabilities	1974	1973
Accounts payable and accrued liabilities	\$ 1,903,102	\$ 1,247,522
Income taxes payable (note 6 (a))	350,000	
Mining taxes payable	650,358	489,889
Payments received on purchase of dwellings under agreements of sale	172,890	225,203
	<u>3,076,350</u>	<u>1,962,614</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 5)		
Authorized — 10,000,000 shares without par value		
Issued — 7,668,392 shares (1973, 7,432,892 shares)	6,970,250	6,715,555
Contributed Surplus	847,832	847,832
Retained Earnings	12,103,393	12,763,591
	<u>19,921,475</u>	<u>20,326,978</u>
	<u>\$22,997,825</u>	<u>\$22,289,592</u>

Contingent liabilities (note 6)

REPORT

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1974 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn & Co.
Chartered Accountants

STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1974
(with comparative figures for 1973)

	1974	1973
Production revenue	\$16,657,730	\$14,588,976
Operating expenses		
Production expenses	11,269,294	9,070,377
Marketing expenses	1,076,067	1,041,799
Administrative and corporate expenses	413,231	339,563
Ontario mining tax (note 7)	645,000	507,000
	<u>13,403,592</u>	<u>10,958,739</u>
Operating profit before the undernoted items	3,254,138	3,630,237
Depreciation and depletion	525,466	501,723
Amortization of deferred expenditures	406,962	640,209
Outside exploration	81,171	26,829
	<u>1,013,599</u>	<u>1,168,761</u>
Income before the undernoted items	2,240,539	2,461,476
Other income		
Investment income	873,540	444,825
Sundry	18,692	6,016
	<u>892,232</u>	<u>450,841</u>
	3,132,771	2,912,317
Income taxes (notes 6 (a) and 7)	350,000	
Income before extraordinary items	<u>2,782,771</u>	<u>2,912,317</u>
Extraordinary items		
Gain (loss) on sale of securities	(5,756)	556,714
Gain on sale of fixed assets	119,113	
Increase in allowance for decline in value of marketable securities (note 2 (b))	(3,470,000)	(570,000)
Provision for litigation (note 6 (b))	(86,326)	
Write down of shares and bonds in associated company		(223,035)
Recovery of expenses of previous years		32,093
	<u>(3,442,969)</u>	<u>(204,228)</u>
Net income (loss) for the year (note 6 (a))	(660,198)	2,708,089
Retained earnings at beginning of year	12,763,591	10,055,502
Retained earnings at end of year	<u>\$12,103,393</u>	<u>\$12,763,591</u>
Earnings (loss) per share		
Income before extraordinary items	36¢	39¢
Net income (loss) for the year	(9)¢	36¢

Willroy Mines Limited

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1974
(with comparative figures for 1973)

	1974	1973
Working capital derived from		
Income before extraordinary items	\$ 2,782,771	\$ 2,912,317
Depreciation, depletion, amortization and other items not involving current funds	1,017,928	1,142,175
	3,800,699	4,054,492
Gain on sale of marketable securities		529,607
Proceeds on sale of shares in other companies		96,755
Issue of capital stock	254,695	40,500
Proceeds on sale of fixed assets	148,340	44,534
Recovery of expenses of previous years		32,093
Other items, net		83,583
	4,203,734	4,881,564
Working capital applied to		
Loss on sale of marketable securities	5,756	
Investment in other companies	489,936	74,466
Purchase of fixed assets	407,061	930,363
Increase in allowance for decline in value of marketable secur- ities (note 2 (b))	3,470,000	570,000
Advances to associated companies	118,380	
Other items	86,326	
	4,577,459	1,574,829
Increase (decrease) in working capital	(373,725)	3,306,735
Working capital at beginning of year	13,692,998	10,386,263
Working capital at end of year	\$13,319,273	\$13,692,998

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 1974

1. BULLION, SETTLEMENTS RECEIVABLE AND CONCENTRATES IN TRANSIT

At December 31, 1974 bullion has been valued at the amount realized subsequent to the year end. Settlements receivable and concentrates in transit have been valued using the following average per unit prices:

Copper	69¢ per pound
Zinc	32¢ per pound

2. MARKETABLE SECURITIES

- (a) The market value of the company's marketable securities improved in January 1975. The allowance for decline in market value is based on the market quotations as at January 31, 1975 and is \$1,440,000 less than if the market quotations at December 31, 1974 had been used.
- (b) The "Increase in allowance for decline in value of marketable securities" does not represent a realized loss but rather reflects the effect of a substantial reduction in market value of marketable securities as a result of a general market decline.

3. OTHER INVESTMENTS

	1974	1973
Associated companies		
Listed shares, at cost (quoted market value 1974, \$106,000; 1973, \$153,450)	\$ 131,661	\$131,661
Other shares, at cost less amounts written off	25,002	25,002
Advances	118,382	2
Other shares, at cost less amounts written off (including listed securities having a quoted market value, 1974, \$268,000; 1973 \$208,500)	1,067,708	577,772
	<u>\$1,342,753</u>	<u>\$734,437</u>

4. MINING PROPERTIES

The company granted to another mining company the right to do exploration and development work on its mining claims in the Renabie area and to bring the property into commercial production. The cash generated from production will be applied against production costs and repayment of costs incurred by the other mining company on the property. After the repayment of these expenditures, Willroy will get 50% of the cash flow as defined in the agreement.

5. CAPITAL STOCK

During the year ended December 31, 1974, the company issued 235,500 shares of its capital stock under an employees' stock option plan for a cash consideration of \$254,695.

Incentive stock options are outstanding at December 31, 1974 on 56,500 shares of the company's capital stock exercisable at various dates to March 1976 at prices of \$1.05, \$1.07 and \$1.10 per share.

6. CONTINGENT LIABILITIES

- (a) The company has received income tax re-assessments for the years 1969 and 1970 totalling \$308,602 including interest. The company does not agree with these re-assessments and

accordingly has filed notices of objection with respect thereto. Certain short term deposits have been assigned to the tax authorities as security for the amounts owing on the re-assessments pending settlement of the notices of objection. No provision has been made in the accounts for any liability that may result therefrom.

If the company is unsuccessful in its appeal, additional capital cost allowance will be claimed to eliminate the re-assessed taxable income. This would result in a reduction of capital cost allowance available for the current year and a corresponding increase in income taxes in the current year of \$450,000.

- (b) An action by Milton Brick Co. Limited has been heard in the Supreme Court of Ontario essentially for possession of certain lands leased by it to Milton Quarries Limited and for a declaration that certain royalties and damages are due to it by Milton Quarries. In 1974 a judgment was rendered against the company in the amount of \$63,250 plus \$23,076 accrued interest. The company has already provided \$86,326 for this contingency and has appealed this judgment. The decision of the appeal is still pending.

7. INCOME AND MINING TAXES

Income and provincial mining taxes have been calculated on the basis of prevailing tax law adjusted to reflect proposals and amendments announced but not yet implemented by legislation. These proposals and amendments had the effect of increasing the 1974 provision for taxes by approximately \$69,000.

8. MANAGEMENT AGREEMENT

Under an agreement dated October 19, 1970 Macassa Gold Mines Limited (now the Macassa Division of the company) granted to Upper Canada Resources Limited sole and exclusive management of the Macassa Mine. The agreement shall terminate December 31, 1980, however Upper Canada shall have the right to terminate at any time on one month's written notice.

Under the terms of the agreement (a) Upper Canada shall pay the company an amount equal to any excess of operating costs less revenues from November 1, 1970 as defined in the agreement and (b) the company is to pay a management fee equal to one-half the revenues less operating costs from November 1, 1970 provided that any payments made by Upper Canada under (a) shall be a first charge on the excess of revenues less operating costs in any subsequent periods until Upper Canada has been reimbursed in full.

9. OPTION ACQUIRED ON PROPERTY

During the year the company acquired an option on certain mining claims in Rennie Township, Mining Division of Sault Ste. Marie in return for exploration and development expenditures as defined in the agreement. By June 30, 1975 Willroy must spend a minimum of \$5,000 on the property and further annual amounts totalling \$200,000 by June 30, 1979. However, after the expenditure of \$5,000 by June 30, 1975, Willroy may abandon the option. If the property is brought into commercial production, Willroy after recovery of all its expenditures, must pay to the optionor twenty-five percent of the net proceeds as defined under the agreement.

10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The remuneration for the year of directors and senior officers as defined by The Business Corporations Act was as follows:

	1974	1973
Directors and officers	\$ 63,133	\$ 45,500
Mine employees	72,112	98,275
	<u>\$135,245</u>	<u>\$143,775</u>

